

Committee report

Committee

CABINET

Date

TUESDAY, 17 SEPTEMBER 2013

Title

APPROVAL SOUGHT TO JOIN THE EASTERN SHIRES PURCHASING ORGANISATION (ESPO) MANAGED SERVICES FOR TEMPORARY AGENCY RESOURCES (MSTAR) FRAMEWORK FOR THE DELIVERY OF TEMPORARY AGENCY RESOURCES VIA A MINI COMPETITION PROCESS THAT HAS BEEN CARRIED OUT THROUGH THE HAMPSHIRE AND ISLE OF WIGHT PROCUREMENT PARTNERSHIP, LED BY HAMPSHIRE COUNTY COUNCIL.

Report to

THE CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. This report seeks approval for the Isle of Wight Council to use the Eastern Shires Purchasing Organisation (ESPO) Contract 653F for Managed Services for Temporary Agency Resources via a mini competition process that has been carried out through the Hampshire and Isle of Wight Procurement Partnership (HLOWPP), led by Hampshire County Council. Following a mini-competition by Hampshire County Council on behalf of HLOWPP, Matrix SCM have been awarded the contract to provide, for four years, all temporary agency workers under the mini competition.
2. The following information will provide a clear overview for the reasons why this recommendation is being made, and the benefits (both in respect of costs and in officer time) that can be realised by adopting this approach.

BACKGROUND

3. There may be a variety of reasons why the Isle of Wight Council requires the use of temporary agency workers. Shortfalls in our establishment workforce amongst some specialist occupations have led to a requirement to use temporary agency workers. This is particularly evident in Children's Social Care, where efforts are underway to address this issue. There are also occasions when it is necessary, through peaks of demand at certain times of the year, or through sickness absences, that agency workers are needed at very short notice to bridge gaps and to meet deadlines.

4. The council has in place an authorisation process that managers must undertake if they want to employ temporary agency workers. What the council doesn't have in place, however, is a central point at which temporary workers are provided. Managers, once they have the authorisation to do so, are free to source from the known range of agencies.
5. Following a review of the number of agencies we contract with it is clear that continuing with the existing arrangements may not be achieving the best possible value for the Isle of Wight Council. A single source of temporary agency workers may provide us with a more cost effective method of engaging temporary agency workers as it would allow us to work on an agreed rate of terms and conditions for the wide range of temporary workers we require. It would also allow us to use a 'bulk buy' approach to negotiate more preferential rates.
6. The Council's People Resourcing Strategy approved in February 2013 includes a specific action to "set up a framework of preferred suppliers of temporary staff for when they are required". With this objective in mind it was clear that the Council should consider options in respect of reducing the overall cost of agency workers, and the most appropriate method for achieving this was to either procure our own framework arrangement, or to join an existing one.
7. During the review of the temporary agency worker arrangements it became clear that Hampshire County Council have used a single supplier to identify and provide all of their temporary agency staffing needs. Hampshire have operated an arrangement with Manpower since 2004 in order to achieve price reductions and to gain greater control over both pay rates and pay inflation. The contract with Manpower is due to expire in October 2013.
8. At the time that the Isle of Wight Council was considering its own formal tender process to create a single supplier arrangement similar to that of Hampshire, we were approached by Hampshire County Council with notice that they were going to lead on a mini competition process through the ESPO Framework and were seeking partners from across the region – HIOWPP - to work with them. The proposal was that Hampshire would lead the procurement process and create a call-off contract that would include the needs of partners such as other local authorities (districts, boroughs and city councils as well as Hampshire Constabulary).
9. Following approval by Procurement Board to assist with the process we helped to specify our own agency worker requirements and these were included in the mini competition process led by Hampshire on behalf of their regional partners. The immediate benefits of such an arrangement were that working with a large authority with significant experience of this process, as well as combining their significant buying power for our benefit, it made sense to pool resources with the intention of getting a successful outcome in terms of savings.

10. The procurement process has been rigorous for all partners, but in particular Hampshire has led through the application of the public sector procurement legislation that required them to mini compete within the ESPO MStar Temporary Agency Worker Framework. Hampshire also established a Policy and Resources Select Committee to consider the options for future service delivery for temporary agency staff and recommended that the contract be retendered.
11. Hampshire conducted the mini competition process following discussions with partner organisations, including the Isle of Wight Council, in respect of the temporary agency worker requirements. Tenders through the mini competition process were submitted by five companies in May 2013 and these were subsequently evaluated using criteria in accordance with ESPO guidance. No tenderers were excluded from the process but three additional companies within the framework chose not to bid due to commitments associated with other work they were currently undertaking in other parts of the country.
12. The five tenderers were subject to evaluation under the following criteria:

Criteria	Weighting
SERVICE DELIVERY (40%)	
General Requirements	5%
Recruitment & Management of Agencies	10%
Ordering of Temporary Agency Workers & System Requirements	3%
Service Delivery & Provision of Temporary Agency Workers	6%
Supplier Personnel & Contract Management	6%
Invoicing & Payment Requirements	3%
Management Information	2%
Implementation	5%
PRICE (60%)	
Pricing Schedule	35%
Additional Pricing Questions	25%
TOTAL	100%

An award was subsequently made to Matrix SCM, a national temporary agency worker organisation who currently work with 55 local authorities and police authorities.

13. Matrix SCM have wide experience of providing temporary agency workers to public sector bodies across the UK, and regionally this has included both Basingstoke and Dean Borough Council and Hampshire Constabulary. Benefits to both organisations have included:
 - Reduced their spend on temporary agency staff by 4% pa
 - Benefitted from 100% of fulfilment of their temporary agency needs
 - Engaged with a more localised temporary agency workforce
 - Retained their original temporary agency worker suppliers under the Matrix 'umbrella'

14. Given that the total spend on agency workers in 2012/13 was in the region of £1.3 million it is expected that based upon current usage the Council will spend £5.2 million over four years. Conservative estimates by the successful bidder for the Hampshire framework are savings of 4% each year, which if adopted by the Isle of Wight Council may achieve savings of £200k during the four year lifetime of the framework. It is because of the size and scope of this potential expenditure that this report is being put forward for consideration by elected members.
15. A final point worth noting in this section is that should the supplier not provide us with the workers we need at the price we are prepared to pay and in the timescales we need them by, we can go elsewhere without breaching the contract.

STRATEGIC CONTEXT

16. The use of a single agency to provide our temporary agency worker requirements meets the requirements of the corporate plan priority
 - Delivery of budget savings through changed service provision

CONSULTATION

17. In order to understand the scope and requirements of what agency workers we currently use, or may use in the future, Human Resources consulted with existing users of temporary agency workers within the Isle of Wight Council. Colleagues within Hampshire County Council undertook a similar exercise with their own services. Based upon the findings of our consultation it was apparent that our agency worker requirements were similar to those of Hampshire County Council and the other partners. Human Resources then submitting a formal report to the Council's Procurement Board in order to gain approval to engage with Hampshire's mini competition process as a partner and to proceed with the intention to engage with the call-off contract should it meet our requirements. This was approved.
18. It was identified from this consultation that two issues should be addressed, namely ensuring continuity of service support upon a new supplier being appointed and the use of local suppliers. These issues have been addressed largely through the appointment of a supplier that acts as procurer of local agencies to deliver services, and seeking to retain existing agencies under the framework terms and conditions to continue to supply temporary agency workers who have an established relationship with the Council.
19. The report was also presented to Employment Committee for their consideration. Committee acknowledged the need for a contract to be put in place to maintain delivery of services, but recommended that wherever possible local workers were employed through the contract, and that effort should be made to employ staff on a permanent basis wherever possible.

FINANCIAL / BUDGET IMPLICATIONS

20. Undertaking our own competitive tendering process would prove to be costly in terms of officer time. It would involve a greater degree of work for Human Resources, Procurement and Contracts, Legal Services and service managers to

collect the necessary data and undertake a procurement exercise that would not have the same buying power as the ESPO MStar Framework as procured through Hampshire County Council.

21. Because of a number of variations in terms of employing temporary agency workers (we only buy their services when they are needed), it is difficult to put an accurate prediction on what the lifetime costs of the contract may be. If we use as a basis that we spent around £1.3m over 2012/13, then the potential spend on temporary agency workers may potentially reach £5.2m over the four year term of the framework contract. It may be lower than this, or higher. Certain dependencies, such as the need to cover statutory positions in times of sickness, long term absences and on-going difficulties in attracting permanent recruits in roles such as Child Care Social Workers will affect this spend. Members will be aware of the successful efforts to recruit Social Workers in a recent highly publicised campaign, and that this will drive down the reliance on temporary agency workers in this area.
22. As services control their own spend on agency workers, there is no central pot of money used to fund workers and there is no request to increase any budgets in respect of temporary agency workers.

LEGAL IMPLICATIONS

23. The framework is fully compliant with the Public Contract Regulations 2006 (as amended). This will be an above threshold call off. Subject to approval, Isle of Wight Council will create our own call-off contract with Matrix SCM.
24. As Hampshire County Council has carried out the mini-competition process including a standstill period (the compulsory waiting period between a decision is made and a contract is awarded to allow time for unsuccessful bidders to challenge the decision), they will also conduct any debriefs with unsuccessful bidders if required.
25. The terms and conditions used will be those provided by Hampshire County Council.

EQUALITY AND DIVERSITY

26. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
27. Under the Equality Act 2010 we are required to have due regard to our equality duties when making decisions, reviewing services, undertaking projects, developing and reviewing policies.
28. The procurement process, undertaken by Hampshire County Council, made specific reference to the requirement to assess Equality and Diversity statements, policies, and the practices in recruiting workers and working with agencies. The scoring matrix ensured that companies unable to provide satisfactory information on their

practices in respect of the requirements of the Equality Act 2010 would not proceed through the procurement process.

29. By entering into this framework agreement we consider that we have and will continue to fulfil our statutory duties.

OPTIONS

30. The options open to members are as follows:
1. To approve that The Isle of Wight Council creates its own call-off contract through the mini competition process carried out by Hampshire County Council through the ESPO framework 653F for the supply of temporary agency workers.
 2. To not agree that the Isle of Wight Council creates its own call-off contract.

RISK MANAGEMENT

31. Should the recommendation be to proceed with the call-off , the most significant risk is ensuring that managers adhere to using the framework to recruit temporary agency workers. Matrix SCM have devised a communications and training package that would be rolled out across the council to help prevent this being an issue. Matrix SCM have a very specific process that they wish managers to use, in both ordering and in raising purchase orders and so a clear communications plan and additional training will address this.
32. There is a risk on the time pressure by introducing the new process and ensuring that all users are clear on what is required of them by the middle of October 2013. HR has identified two members of staff who will work with Matrix SCM to implement the scheme in time for an October launch if this option is chosen, but it may be necessary to enter into the framework at a later date to mitigate pressures caused by implementing the scheme on what is an ambitious timeframe.
33. We will seek to minimise the risk of uncontrolled spending on temporary agency workers through maintaining the authorisation process. Having a framework in place will also reduce costs as well as allowing for greater control over the route for requesting workers and there being a wider pool of workers to choose from, which in itself will be more cost effective in terms of time spent finding somebody suitable.
34. If we continue to rely on ad hoc arrangements and known contacts to provide our temporary agency workers then there is the risk that we are failing to achieve best value for our teams and the communities they serve. Some teams are making significant efforts to reduce the reliance on temporary agency workers through successful and targeted recruitment activity. These teams are often the heaviest users who rely on temporary agencies to maintain service delivery.

EVALUATION

35. More than one option is being presented as this reflects the realistic situation that the Isle of Wight Council currently faces. The first option of creating the Isle of Wight Council's own call-off contract as described, with Matrix SCM has benefits of both cost and ease of use but also ensures that we meet our strategic aims to rationalise the use of agencies to achieve better value for money.

RECOMMENDATION

36. To approve that The Isle of Wight Council creates its own call-off contract through the mini competition process carried out by Hampshire County Council through the ESPO framework 653F for the supply of temporary agency workers.

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